

Message Text

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ORIGIN SS-25

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TO USDEL SECRETARY PRIORITY

INFO AMEMBASSY MOSCOW

C O N F I D E N T I A L STATE 182600 TOSEC 080280

EXDIS

E.O. 11652: GDS

TAGS: EAGR, ELAB, UR

SUBJECT: GRAIN SALES TO THE USSR

FOR SONNENFELDT AND HARTMAN

1. IN VIEW OF CURRENT USG REVIEW OF SOVIET GRAIN PROSPECTS, WHICH POINTS TO LOWER ESTIMATES THAN PREVIOUSLY EXPECTED, FOLLOWING SUMMARY OF RECENT DEVELOPMENTS HERE MAY BE USEFUL FOR YOUR BACKGROUND.

2. THE DEPARTMENT OF AGRICULTURE HAS AN UNDERSTANDING WITH US EXPORTERS THAT THE LATTER WILL REPORT IN ADVANCE ANY FURTHER SALES TO THE SOVIETS. THE SOVIETS ARE NOT EXPECTED TO MAKE ANY ADDITIONAL PURCHASES UNTIL MID-AUGUST. (THE NEXT US CROP REPORT, WHICH WILL INDICATE HOW MUCH GRAIN IS AVAILABLE FOR EXPORT, WILL BE PUBLISHED AUGUST 11).

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3. IN TESTIMONY BEFORE THE JOINT ECONOMIC COMMITTEE ON JULY 29, ARTHUR BURNS SAID, ACCORDING TO THE PRESS, THAT THE GRAIN SALES COULD HAVE SOME INFLATIONARY EFFECTS.

4. ON JULY 30 SECRETARY SIMON WAS REPORTED BY THE PRESS

AS SAYING THAT HE DID NOT BELIEVE THE AMOUNT OF GRAIN SOLD SO FAR WOULD AFFECT DOMESTIC PRICES, AND THAT THE ADMINISTRATION WOULD ENSURE THAT GRAIN IS NOT SOLD IN AMOUNTS THAT CAUSE PRICE INCREASES.

5. ON JULY 31, THE AFL-CIO EXECUTIVE COUNCIL GAVE ITS FORMAL BACKING TO LAST WEEK'S ILA RESOLUTION CALLING FOR A BOYCOTT OF THE GRAIN SHIPMENTS UNLESS THE ILA CAN BE SATISFIED THAT CONSUMER INTERESTS ARE BEING PROTECTED. ILA PRESIDENT GLEASON INTENDS TO MEET WITH BUTZ NEXT WEEK. IT STILL SEEMS QUESTIONABLE WHETHER THE ILA WILL ACTUALLY TRY TO BLOCK THE GRAIN SHIPMENTS; GLEASON IS UNPREDICTABLE.

6. ON JULY 31, ACCORDING TO PRESS REPORTS, ASSISTANT SECRETARY OF AGRICULTURE BELL TOLD JACKSON'S SUBCOMMITTEE ON INVESTIGATIONS THAT THE US HARVEST PROMISED TO BE SO LARGE THAT SHIPMENTS OF UP TO 15 MILLION TONS OF US GRAIN WOULD CAUSE ONLY A "MINIMAL" RISE IN FOOD PRICES. INGERSOLL

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